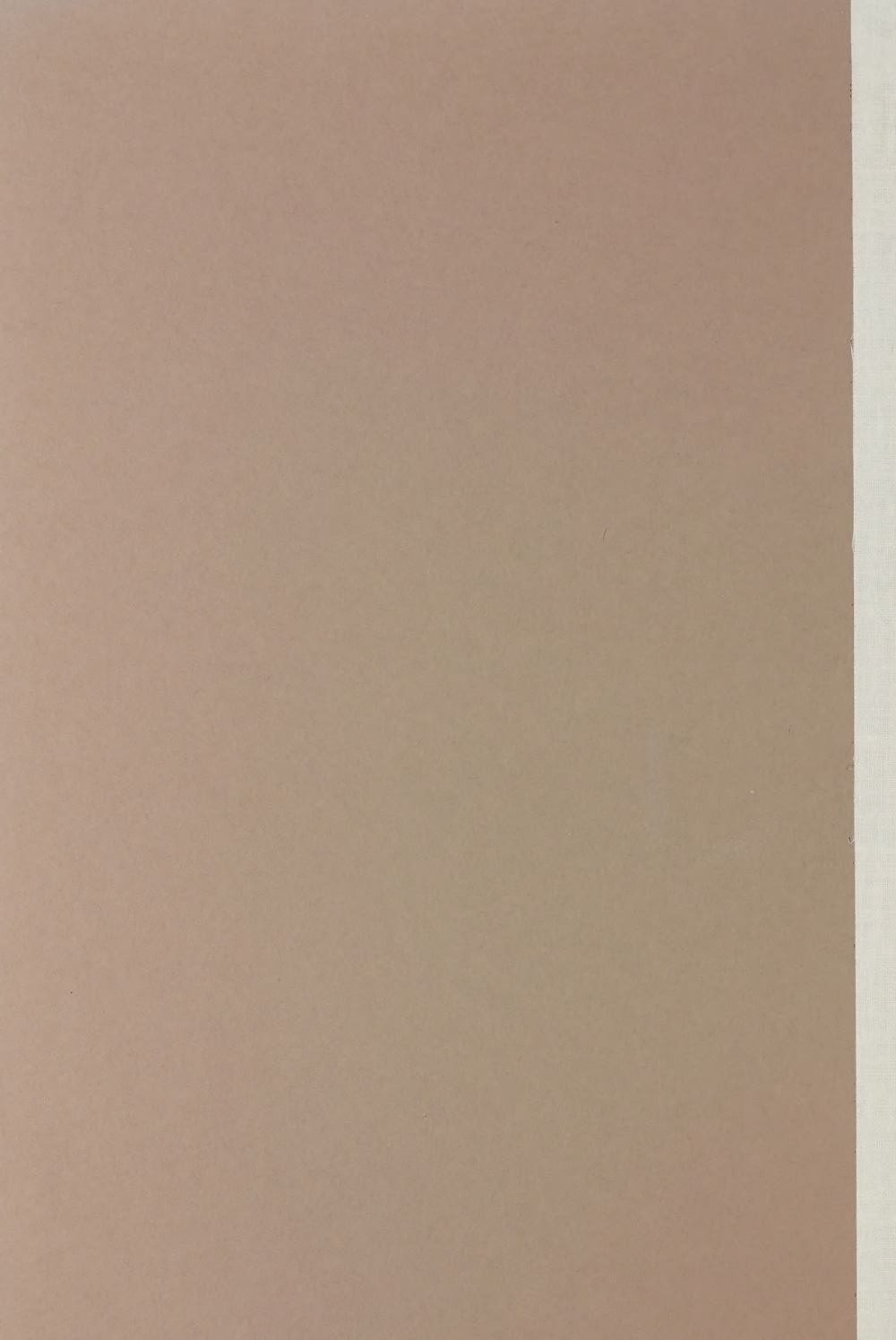


CA24N
TR
-80575

Government
Publication

Ontario. Ministry of the Treasury
Supplementary Measures to
Stimulate the Ontario Economy.

1980




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Economic Statement
by
The Honourable Frank S. Miller
Treasurer of Ontario



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Supplementary Measures to Stimulate the Ontario Economy

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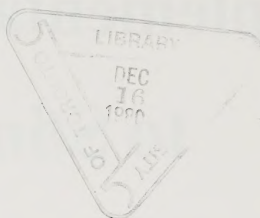


Thursday November 13, 1980

Economic Statement
by
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INTRODUCTION

In my Budget message in April, I said that 1980 could well turn out to be a difficult year for the Ontario economy. I pointed out that our economic prospects are heavily influenced by federal policy and the performance of the United States economy. Slowing demand in the U.S. and Ottawa's high interest rate policy threatened to undermine our economic stability.

The fiscal strategy for 1980-81 I adopted at that time called for a modest increase in the Province's deficit and, consequently, a pause in our long term deficit reduction plan. In light of the economic situation, I did not wish the Budget to be a drag on the economy and, therefore, I did not impose any increases in taxes.

But neither did I want to break with our policy of reducing the size of government to lessen inflationary pressures in the economy and free up resources for productive private sector investment. By maintaining a competitive and stable profit and taxation environment, we ensure these resources are put to use. This fiscal policy has been the cornerstone of our economic strategy for a number of years.

In my Budget, I introduced a number of selective measures to stimulate job creation and investment and I have since supplemented these actions. For example, in May, the Government provided a substantial interest relief program for farmers. My Budget also provided new grants for pensioners which increase their purchasing power this year by almost \$300 million.

I have continued to monitor closely developments in the economy. Prior to the federal budget, the short term economic outlook had already deteriorated. That budget has, in fact, further worsened the outlook for Ontario.

Therefore, I will be announcing tonight specific measures to stimulate immediately the provincial economy and improve Ontario's longer term economic prospects.

FEDERAL BUDGET LACKS DIRECTION

On October 28, 1980 the federal government turned back the economic clock in the industrialized provinces of Canada. Mr. MacEachen's "Energy Budget" was seriously lacking in economic leadership and it completely ignored the dualistic nature of Canada's regional economies. At the present time, Canada has neither an agreed-upon energy pricing and supply package nor an economic strategy to take advantage of our opportunities. This situation can only further undermine the confidence of investors and could cost us dearly in the longer run in lost economic productivity and potential.

Unlike some in this Legislature, I was surprised and disappointed by Mr. MacEachen's budget. It is profoundly unbalanced in its priorities. It does set out a four-year deficit reduction plan, but it is far from clear that the fat will be cut from the federal bureaucracy. Its economic forecast implies sluggish economic performance for Canada's industrial heartland, but no measures are introduced to improve the outlook. It reinforces inflationary pressures, yet relies on a tired and outdated monetary policy that simply cannot come to grips with inflation. Above all, it does absolutely nothing to create jobs in the months ahead. In fact, it threatens existing jobs in this province. That's simply not good enough.

Ontario has always advocated strong federal leadership in economic matters. We will not, however, tolerate serious economic misdirection at the expense of the people of Ontario.

The most vital element of national economic leadership is the provision of long term policy guidance and certainty. Unfortunately, the federal budget leaves many uncertainties. Even if the planned energy prices survive, they remain subject to unspecified future increases. The delays in megaprojects and threatened cutbacks in domestic oil supplies further add to uncertainty and aggravate our economic problems. Indexation of the personal income tax remains under the microscope. As well, the federal government intends to seek major savings in its commitments under existing fiscal arrangements in health, post-secondary education, and community services. In fact, there are rumours that the federal government intends to discontinue the federal-provincial Community Services Contribution Program, even though both levels of government are committed to converting the existing program into a long term arrangement. As a result of such action alone, Ontario would lose at least \$86 million annually towards high priority and fully planned water and sewerage projects and other vital community services.

The spectre of a national government that would tolerate high unemployment, stifling interest rates, and a bloated federal bureaucracy, while seeking savings at the expense of a clean environment and other social priorities now looms before all Canadians.

Mr. Speaker, we require a national economic plan. As part of this, the major energy projects must proceed and Ottawa must take firm action to shore up the sagging economy, create jobs, and restore confidence. Let me repeat what I have stated on several occasions: the federal government has the fiscal capacity and the policy instruments to best undertake such action. It also has that responsi-

bility. As a result of the clear abdication by Ottawa of its national economic leadership responsibilities, we are faced with a justified call for economic leadership from elsewhere.

The Government of Ontario is responding to this call with a \$1 billion, five-year economic recovery program, which I will detail in a few moments.

Before so doing, I would first like to review the economic situation and outlook.

THE ECONOMY

The federal budget threatens Ontario's short term economic prospects. According to Mr. MacEachen's projections, Canada will experience a decline of 1.0 per cent in total output this year and an increase of only 1.0 per cent in 1981, before achieving substantially higher rates of growth in the 1982-85 recovery period. While the federal outlook for 1981 is more pessimistic than many private sector predictions, there is no doubt that our economy will continue to operate well below potential. The federal budget certainly has increased the possibility of greater unemployment in Ontario in the months ahead.

There are certain aspects of the Ontario economy with which we can be pleased -- strong sectors of the economy where employment levels are being sustained or are increasing, and upon which strength we should build. Among them are non-residential construction, services, manufacturing of machinery, paper and allied products, food and beverages, all of which show little excess capacity. Investment is increasing at a substantial pace across a wide range of sectors. Statistics Canada's Mid-Year Private and Public Investment Survey indicates that new manufacturing investment may be up by 44 per cent in Ontario this year.

However, some sectors, particularly consumer durables and those with high export content, are suffering because of the recession in the United States and high interest rates. There have been significant layoffs in residential construction and in the motor vehicle assembly and parts industries. The major household appliance portion of the electrical products sector is performing much below capacity. Other important manufacturing industries showing high excess capacity are wood products, furniture and fixtures, and non-metallic minerals.

Canadian Capacity Utilization Rates
for Selected Manufacturing Sectors
(per cent)

	1978	1980 Second Quarter
<u>Strong Industries</u>		
Printing and Publishing	94.1	99.2
Paper and Allied	87.6	90.7
Tobacco Products	86.2	89.1
Food and Beverages	87.4	89.5
Metal Fabricating	80.0	80.5
Electrical Products	77.6	81.3
Textiles	91.2	90.3
Knitting	88.7	94.3
Machinery	85.3	88.8
<u>Industries Displaying Weakness</u>		
Transportation Equipment	91.1	62.3
Non-Metallic Minerals	73.4	61.7
Furniture and Fixtures	68.5	66.1
Wood Products	77.1	64.1
Chemicals	74.1	69.3
Leather Products	79.4	77.8

Source: Statistics Canada, Cat. 31-003.

Notwithstanding weakness in some industries, Ontario's recent job creation performance has been impressive. In 1979, some 161,000 new jobs were created, following the generation of 133,000 jobs in 1978. Although slowing in recent months, new job creation still amounted to a significant 85,000 over the twelve-month period ending September 30. While our average year over year new job creation exceeds our 100,000 new jobs commitment, we are neither satisfied nor complacent. The bottom line is that labour force growth has outstripped job creation. The seasonally adjusted unemployment rate has increased from 6.2 per cent in September 1979 to 6.7 per cent in September this year. In fact, over the first nine months of 1980, the unemployment rate has averaged 7.0 per cent. This is an unacceptably high level of economic hardship and lost potential.

IMMEDIATE ACTIONS TO STIMULATE THE ECONOMY

I believe that effective action can and should be taken to bolster demand in the weaker sectors of the economy. Our options are limited because reductions in income taxes are not a viable mechanism for achieving immediate relief in specific sectors. However, in the past, reductions in retail sales tax have proven to be most effective. I am, therefore, proposing tonight to cut the retail sales tax to provide direct stimulus in a number of areas vitally important to the well-being of our economy.

Rebate of Retail Sales Tax on Purchases of Light Trucks and Vans

The Ontario automotive industry is responsible directly and indirectly for one in every six jobs in this province. As the Members are aware, this North American industry must resolve major structural difficulties and come to grips with vigorous foreign competition before we can be certain of improved prospects. This Government has urged the federal government to seek a better deal for

Canada under the Auto Pact. We have also provided incentives for industry to locate here, expand investment, and engage in research and development.

A large scale review of the industry's prospects and problems is now under way to determine what more Ontario can do to secure the industry's longer term future. In the meantime, however, we intend to take action to stimulate the industry.

In current circumstances, measures to stimulate demand for passenger automobiles would not provide a significant enough boost to domestic employment to justify the expenditure. Many of the passenger cars purchased by Ontarians are produced in the United States. Conversely, our production of passenger vehicles is predominantly exported to the U.S. As a result, only the recovery of demand in the U.S. will generate substantial production and employment gains for Ontario producers of passenger cars.

However, this is not the case with light trucks and vans. Sixty per cent of Canadian unit sales of these vehicles are domestically produced, the balance being produced in the U.S. or offshore. All light trucks and vans produced in Canada are manufactured in Ontario. Consequently, stimulation of truck purchases will result in a much smaller import leakage and, therefore, will have a stronger impact directly on vehicle production and indirectly on the many associated industries.

In Ontario, truck production over the first ten months of this year was 24 per cent below last year's levels, and sales were down almost 26 per cent from January to September compared to the same period last year. Consequently, to provide support to this sector, I am implementing a rebate of retail sales tax paid of up to \$700 on new light trucks and vans not exceeding 4,100 kilograms (approximately 9,000 lbs.) in gross vehicle weight. This incentive will be of

particular benefit to small businesses and many persons living in more remote or rural parts of Ontario. It will commence midnight tonight and remain in effect until June 30, 1981.

Most truck purchases are made to replace similar older vehicles, particularly those in commercial use. Motor vehicle manufacturers have made great strides in improving the fuel efficiency of trucks and the new models will consume less fuel per mile than the older models they will replace. As a result, this program will also assist energy conservation.

I estimate the cost of this program at \$38 million.

Retail Sales Tax Exemption for Selected Building Materials

Unemployment rates in the construction industry have averaged 14 per cent over the first nine months of the year. At the present time, demand is strong in industrial and commercial construction. In fact, there are some labour shortages in the finishing trades in the Toronto area where a \$500 million building boom is under way. Strikes in the industrial and commercial sectors have artificially boosted unemployment, but overall employment in these sectors is strong and is expected to remain firm throughout 1981.

The bulk of unemployed construction workers normally work in residential housing, small non-residential buildings and renovations. For these workers the near-term outlook is not bright. I have decided to implement a measure designed to lower the cost of new residential construction and renovations to provide a boost to the building materials and construction industries.

I am proposing that the 7 per cent retail sales tax be removed on many major building materials including lumber, roofing materials, kitchen

cabinets, sinks, toilets and bathtubs. This exemption will be effective from midnight tonight to June 30, 1981, at an estimated cost of \$94 million.

I have chosen specific items to direct the benefits of this measure principally to residential construction. By focusing on specific items, the cost of the program will be contained and the exemption will be manageable for retailers.

This incentive will benefit individual consumers, builders and contractors. It will lower construction costs and encourage home and apartment owners to undertake renovations and remodelling. These activities are taking on increasing significance and, by stimulating them, it is hoped that persons previously employed in new home construction will find alternative employment for their skills. It should be of particular benefit in the redevelopment of inner core areas. The period of tax relief will coincide with a traditionally slow period in the Canadian construction industry, encouraging activity that might otherwise not have taken place.

Exemption from Retail Sales Tax for Major Household Appliances

The major household appliance industry is an important part of Canadian manufacturing. Because of the "big ticket" nature of household appliances, this industry has been hard hit by the recent period of high interest rates and economic slowdown. As well, the low level of housing starts has depressed demand for these products. In fact, appliance production was down 9.2 per cent in the first half of 1980 from last year's level. Sales of refrigerators and electric ranges in the first half of 1980 were down 8 per cent from the same period last year.

To stimulate purchases of certain major household appliances, I propose to remove the 7 per cent retail sales tax from new refrigerators, freezers, ranges, washers and dryers, effective midnight tonight. This retail sales tax

exemption will apply to purchases made by June 30, 1981, and will cost \$25 million in foregone revenue. The low leakage of demand to foreign products in this largely Ontario-based industry should result in a positive impact on inventories, production and employment. Most purchasers of new homes and many persons undertaking renovations buy new appliances, and I anticipate this measure will reinforce the incentive provided by the exemption for building materials.

Exemption from Retail Sales Tax for Residential Furniture

The residential furniture industry, like the major household appliance industry, has also felt the impact of lower housing starts and higher interest rates. Household furniture store sales declined by 6.1 per cent during the first half of this year over the same period in 1979. Output levels in this sector are at only two-thirds of capacity.

This industry plays an important role in our economy. It is largely Canadian sourced and directly employs a significant number of Ontarians. Therefore, effective midnight tonight, I propose to remove the 7 per cent retail sales tax from new residential furniture purchases made until June 30, 1981. This action will provide \$65 million in tax savings to consumers and will encourage increased Ontario production.

Tourism Incentives

Members will recall the unsatisfactory situation in the hospitality industry in Ontario and in Canada only a few short years ago. Low prices in many foreign destinations and a strong dollar resulted in huge deficits in Canada's balance of trade in travel. However, in the past two years, a lower exchange rate and considerable private investment in facilities have combined with a broad range of Ontario tax incentives to make Ontario an attractive and inexpensive travel

alternative. Overseas visitors and North Americans alike are discovering the beauty of Ontario and the warmth of its people. The new \$65 million downtown Convention Centre and the \$108 million investment in Phase I of the Wonderland complex at Maple will soon be major attractions for visitors.

Members will be familiar with many of our actions to assist this industry. The retail sales tax was removed from accommodation and American Plan charges, kitchen equipment and hotel furnishings. The sales tax has also been removed from disposable items used in hotel rooms, and from prepared meals priced at less than \$6. Further assistance is available through corporate tax incentives and the Tourism Redevelopment Incentive Program (TRIP).

This year's increases in tourism are gratifying and the industry's member companies have every reason to be optimistic. To ensure its continued growth, and to spur the development of improved facilities through new construction and refurbishing of existing infrastructure, I intend to continue needed support of this industry. I am, therefore, announcing my intention to extend the temporary exemptions for transient accommodations, furnishings, and restaurant kitchen machinery and equipment, scheduled to expire next March 31, until December 31, 1981. The cost of this measure will be \$38 million in fiscal 1981-82.

Mr. Speaker, these retail sales tax cuts that I have announced amount in total to \$260 million. Most of the benefits will be realized over the next eight months and will stimulate the economy during a difficult period. Specific details are contained in the attached appendix.

My colleague, the Minister of Revenue, will introduce a bill later this evening to give effect to these stimulative measures.

REDIRECTION OF ONTARIO'S PROGRAMS FOR INDUSTRIAL AND ECONOMIC DEVELOPMENT

The actions I have announced to stimulate demand will assist the economy in the current business cycle. However, with the structural problems in our economy, other more profound measures are needed. I am accordingly proposing a five-part program to improve Ontario's economic prospects in the 1980s.

First, with the failure of the federal budget to address strategic economic and industrial issues, the Province has commenced a complete review of our economic development programs, which total \$2 billion in 1980-81.

Second, Ontario will provide \$750 million for new initiatives in employment and regional development over the next five years.

Third, a full review of tax incentives is underway to ensure they are cost effective and efficient. I am prepared to redirect such incentives if necessary.

Fourth, explicit initiatives will be brought forward to implement a tougher "Buy Canadian" public sector procurement policy.

Finally, Ontario will introduce specific measures, beginning this quarter, to advance high technology, world scale industrial development, research and investment in the province.

New Board of Industrial Leadership and Development

As I stated earlier, Ontario's basic economic strategy has been to promote an attractive investment, profit and tax environment within which the private sector can flourish.

The creation of the Employment Development Fund (EDF) and its Board in 1979 was designed to complement this overall policy with the provision of selective direct assistance to private industry. The Board provided a valuable Cabinet Committee structure to ensure coordination of the Government's programs of direct assistance. It was Ontario's response to similar initiatives introduced by other North American jurisdictions.

The EDF will have secured private sector investment of over \$3.5 billion by committing \$300 million of direct assistance to Ontario industry -- a leveraging of more than \$11 of private investment for every taxpayer dollar invested. This will ensure the undertaking of new projects with a job creation potential of over 19,000. At the same time, EDF assistance to the pulp and paper industry has helped to further the long term job security of 20,000 mill workers and loggers in Ontario. The Fund has assisted the development of employee skill training programs, urban transportation projects, mining exploration, small business and other industries.

The Fund was intended as a short term measure. Therefore, in keeping with the Government's original commitment, we have reviewed this program. I am announcing tonight that the Employment Development Fund will be "sunsetting" at the end of the current fiscal year. Some carry-over funding will be required in 1981-82 to finance outstanding commitments made by the EDF. Provision will also be made to continue certain ongoing programs which have been

financed under the EDF umbrella. These particular programs will be transferred to the ministries which currently handle their administration.

The EDF Program was successful in developing and coordinating Ontario's programs of direct financial assistance to industry. It showed clearly the advantages of a Cabinet Committee to better focus and coordinate the Government's total regional, economic and employment activities. We have decided, therefore, to establish a new body called the Board of Industrial Leadership and Development (BILD). Chaired by myself, the Board will incorporate the present Employment Development Board Ministers and certain other Ministers as circumstances dictate.

The new Board will:

- . consolidate and coordinate the Government's total economic development budget. I should mention that this substantial budget does not include the additional cost of incentives to saving and investment provided through the tax system;
- . manage expenditures of up to \$750 million in new initiatives for economic and regional development over a five-year period. This will be in addition to the \$165 million five-year energy program already announced by the Minister of Energy;
- . review matters relating to federal-provincial consultation and cooperation in economic and employment development initiatives; and,
- . ensure a cohesive industrial leadership program through which the Government of Ontario can invest in the future of the people we serve.

Ontario Economic Development Budget, 1980-81
(\$ million)

Industrial Development	211
Resource Development	129
Transportation Development	925
Regional and Rural Development	251
Community Infrastructure	343
Human Resources	190
<hr/>	
TOTAL	2,049
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I would like to emphasize that \$360 million of the \$1 billion economic recovery package is allocated to the period ending ending March 31, 1982. This amount comprises \$260 million for the retail sales tax cuts, \$75 million for new structural initiatives to be determined, and \$25 million in special initiatives in rural Ontario I will now describe.

Development of Rural Ontario

This Government is committing \$5 million in 1981-82 and \$21 million in total over the next five years for programs for the rural counties of the central part of Ontario. Members will recall a similar initiative that was undertaken for the rural parts of Eastern Ontario. The major focus will be in forestry with about one-half of total funding being directed to increasing production of wood fibre from public and private lands.

This action will help offset the continued depletion of quality hardwood stands critical to the viability of local forest related industries and will generate significant employment. The other components of the package are:

- . an intensive geological survey aimed at increasing mining investment;
- . greater access for small businesses in rural Ontario to assistance from the Ontario Development Corporations; and,
- . increased funding for programs which assist tourist operators with the costs of upgrading their facilities.

Electricity Rates in Rural Ontario

Members will recall that on April 10, 1980, the Premier addressed the Legislature on the subject of rural electrical rates. Specifically, he requested the Minister of Energy to obtain from Ontario Hydro concrete proposals to reduce the differential between electricity rates paid by rural residents and those paid by urban residents. He instructed that the proposals be made available by this Fall so that a new and more equitable rate structure might be introduced.

At present, average rural rates are considerably higher than average municipal rates. This is primarily because of the higher distribution costs experienced in less densely populated areas serviced directly by Ontario Hydro. Moreover, the trend has been for the differential to widen as the more densely populated portions of the rural areas have come increasingly into the service area of the municipal utilities, leaving ever fewer people to share the costs of the rural system. This is clearly an inequitable situation.

As the electricity rate structure is quite complex, it will require some time to alter this structure. The Government has decided, therefore, to instruct Hydro to eliminate the undue differential between rural and urban electrical rates by 1982. However, in order to provide immediate relief to rural

electricity users, the Province will provide \$20 million to Ontario Hydro during the 1981-82 fiscal year. These funds will enable Hydro to provide direct discounts to rural customers who presently pay excessive rates.

Tax Incentives Policy

Ontario's tax incentives are an integral part of our tax structure. Tax expenditures, as they are popularly called, are not directly equivalent to spending programs: a dollar given up by a tax incentive is not necessarily the same as a dollar given in a grant. Tax incentives are fundamentally important in establishing a competitive tax structure and in achieving our economic goals. It is important that these incentives be closely examined in the context of the economy's structural difficulties to ensure they are cost effective and efficient. My Ministry reviews our incentive programs on an ongoing basis. These reviews are carefully done and are instructive. However, I believe a more comprehensive analysis should now be undertaken and I have instructed staff to commence this review immediately.

I would like, insofar as possible, to concentrate our tax incentives more selectively in areas with the greatest promise and which offer the biggest potential economic gains. For example, I believe we should do more to encourage exports, import replacement, research and development and high technology industries such as aerospace, communications and microelectronics.

Research and development is an activity supported by tax incentives, yet R&D spending in Canada is woefully insufficient to ensure this country the economic resilience associated with high levels of R&D activity. We are currently examining options for stimulating R&D, particularly to encourage both new Canadian investment and greater spending by multi-national corporations. It may prove necessary to relate incentives to success in achieving certain threshold levels

of spending. I want to make it clear I expect to see some improvement in this area.

A Tougher "Buy Canadian" Public Sector Procurement Policy

Structural policies to strengthen the Ontario economy can be reinforced by an aggressive "Buy Canadian" public sector procurement policy. "Buy American" regulations, such as the Surface Transportation Assistance Act; Japanese domestic purchasing policies; the North Sea oil sourcing legislation; foreign government sponsored marginal pricing; growing provincial sourcing preferences that now threaten the Canadian common market - all of these are competitive realities that confront Ontario's 'open door' procurement stance, with our strict adherence to competitive principles and an across-the-board 10 per cent preference for Canadian goods and services.

On the positive side, opportunities for Canadian participation in the upcoming resource projects have moved the federal government and Canadian industry (the Foothills' Group, for example) to aggressively seek a better sourcing deal for Canadian business. Ontario has tested these waters, too -- in the pulp and paper modernization program, we have secured commitments from the companies to purchase equipment from Canadian sources, where feasible.

The existing 10 per cent Canadian Preference applies only to Ontario Government ministries, and not to those public agencies, including school boards and hospitals, Crown corporations and municipalities that receive Provincial transfer payments. Ontario ministries alone currently spend \$600 million annually, or 75 cents of each purchasing dollar, on goods and services made in Canada. More can be done.

Several initiatives will be undertaken to stimulate Canadian industries, through a tougher public procurement policy.

- A Procurement Policy Office will be set up to establish and implement effective policy guidelines, set industry target ratios for domestic content, monitor progress and develop further initiatives.
- The Canadian Preference will be extended to all Provincially-funded agencies through these guidelines.
- The Canadian Preference will also be extended to those industries receiving Provincial development assistance through commitments in their corporate sourcing policies.

These steps will ensure a bigger role for Ontario and Canadian companies in supplying the needs of the public sector and in participating in private sector expansion.

To have maximum impact, the activities of the new Board of Industrial Leadership and Development, those of the Procurement Office, and the direction of tax incentives will require close coordination and cooperation in federal-provincial actions. I will be addressing this issue when I and my colleague, the Minister of Industry and Tourism, meet with the Federal Ministers of Finance and Industry, Trade and Commerce in Ottawa in the near future.

SENSITIVITY TO SOCIAL PRIORITIES

Mr. Speaker, since the mid-1970s, the economic situation has required the Government to give a high priority to economic and employment development. Spending has been prudently managed and net cash requirements reduced in a balanced budget framework as a contribution to lessening inflationary pressures. Major tax increases have been avoided for the same reason. Significant incentives have been provided to promote investment and job creation. However, at no time has this strategy been allowed to hurt effective delivery in major social programs.

Over the period 1972-73 to 1980-81, combined spending on health, community and social services has increased faster than total budgetary spending excluding public debt interest. Ontario's support for the elderly and the disadvantaged has increased considerably faster than total spending. New initiatives will be brought forward in recognition of the International Year of the Disabled.

Economies have been secured by cutting out waste. For the past four years, we have realized average annual gross savings of \$400 million, mainly to finance in-year spending increases in the social field without adding to total spending. This year is no exception:

- Funding of the Ministry of Health has been increased since Budget. Health expenditures now represent approximately 28.0 per cent of total Government expenditures compared to 25.8 per cent prior to the imposition of restraint.
- In April, 1980, the Government provided a 10 per cent rate increase for Family Benefits and General Welfare Assistance recipients at an annual cost of \$54 million. Further increases with an annual cost of \$49 million will be announced by my colleague, the Minister of Community and Social Services.
- For this fiscal year, a further \$1 million will be provided for day care. A more extensive program announcement for next year will also be forthcoming from the Minister.

Mr. Speaker, unlike the Liberal government in Ottawa, we intend to respect social priorities and values while keeping our own fiscal and industrial priorities in clear focus. Let others tax those who can least afford it, let others acquiesce to inequity and economic injustice. This Conservative Government, the Government of the Honourable William G. Davis, will not.

RELIEF FOR HOME HEATING COSTS

The Liberal government in Ottawa has shown that it is insensitive to the impact of rising energy prices on people with fixed and low incomes. Sudden

increases in energy costs, staged or not, impact unfairly on these people. They need assistance to enable them, over time, to adjust their household budgets -- budgets already strained by inflation -- to the new realities.

The Government of Ontario believes a temporary program of relief from sharp increases in home heating costs, one that is income-tested and of three years duration, should be implemented as soon as possible. Benefits should start being delivered no later than the first quarter of 1982, in respect of the heating season beginning next Fall -- when the new prices will start to hit the lowest income groups hard. I will be making specific proposals to the Minister of Finance for a shared-cost program. I might add, Mr. Speaker, that we will pursue unilateral action should the federal government be unprepared to see the error and injustice of its ways.

REVISED FINANCIAL OUTLOOK

As a result of my proposals tonight, net cash requirements for this fiscal year are now forecast at \$1,059 million, or \$110 million over budget. This deterioration is wholly accounted for by a revision to the revenue forecast -- \$33 million reported in the September 30 "Ontario Finances" and \$77 million resulting from the tax relief measures announced this evening. The balance of the net costs of the temporary incentives, \$147 million, will fall in 1981-82.

Revised Financial Plan for 1980-81
(\$ million)

	Budget Plan	Revised Outlook	Change
Revenue	16,172	16,062	- 110
Expenditure	17,121	17,121	-
Net cash requirements	949	1,059	+ 110

Impact of Supplementary Measures on Ontario's Finances
(\$ million)

	1980-81	Cash Flow Impact 1981-82	Total
Retail Sales Tax:			
Light trucks and vans	14	24	38
Household appliances	9	16	25
Residential building materials	39	55	94
Residential furniture	24	41	65
Tourism incentives	-	38	38
Gross Cost	86	174	260
Revenue feedback	9	27	36
Net Cost	77	147	224

I have made no change to the 1980-81 expenditure forecast at the present time. The Chairman of the Management Board assures me that, as in the past, maximum effort will be made to secure savings to offset the in-year increases we have allowed in priority areas.

The higher level of net cash requirements in 1980-81 and the flow over into 1981-82 is well within the capacity of the Province to finance without resorting to public borrowing. Some would perhaps question our commitment to restoring the capacity to balance the budget. Well, Mr. Speaker, we did achieve that capacity last year. In view of the economic situation, we decided this year to allow a break in the pattern of regular reductions in the deficit. However, we have remained vigilant and prudent in our spending. With a resumption of reasonable economic growth, we will be able to lower our cash requirements once again.

As we have stated from the outset, the purpose of cutting the deficit is two-fold: first, to reduce inflation; and second, to give the Province control and flexibility to meet its priorities. We are now using this flexibility to invest heavily in Ontario's future. Surely that is the ultimate mission of compassionate and sensitive government during challenging times.

CONCLUSION

To summarize, Mr. Speaker, this economic recovery program will:

- . assist millions of taxpayers, thousands of businesses and many communities ignored by the Government of Canada;
- . give economic leadership sadly lacking at the federal level;
- . provide effective short term stimulus to the economy;
- . create employment in Ontario;
- . ensure sound economic management for our future;
- . commit new resources for continued growth and prosperity;
- . reaffirm our support for social priorities, regional development and rural Ontario;
- . invest heavily in the entrepreneurial skill and industrial potential of our province and her people;
- . provide the framework for high technology investment, research and development so vital to Ontario's future.

Mr. Speaker, Ontario is a part of a Nation and Continent experiencing fundamental transition caused by international economic forces and energy policies beyond our control. Effective leadership from Ottawa could effect this transition in a fashion that profits all Canadians. That leadership is not forthcoming. We must assess our own priorities here in Ontario and defend our fundamental entrepreneurial values. We must advance Canadian ownership and Canadian technology. We must move now to invest in and secure our future - a future which, under the leadership of the Honourable William G. Davis, holds immense promise and opportunity for us all.

APPENDIX:

DETAILS OF TAX CHANGES

REBATES ON PURCHASES OF LIGHT TRUCKS AND VANS

Rebate

- . A full rebate of retail sales tax paid, up to a maximum of \$700, will be provided to the purchaser of each eligible light truck and van bought prior to July 1, 1981 and delivered between November 14, 1980 and July 4, 1981 inclusive.

Eligible Motor Vehicles

- . All domestic and imported new light trucks and vans, regardless of model year, are eligible for rebate provided that:
 - the vehicle bears a manufacturer's Gross Vehicle Weight plate or sticker; and,
 - the maximum Gross Vehicle Weight, as rated by the manufacturer, does not exceed 4,100 kilograms (approximately 9,000 pounds).
- . New light trucks and vans means light trucks and vans that have never been previously sold, leased or rented by a dealer but includes demonstrator light trucks and vans.

Ineligible Motor Vehicles

- . Leased or rented vehicles.
- . Used motor vehicles.
- . Passenger cars including station wagons, all-terrain vehicles, and all other vehicles not meeting the eligibility criteria listed above.

Payment

- . Purchasers of eligible motor vehicles may apply for rebates to the Ministry of Revenue, Retail Sales Tax Branch, on the prescribed form, which will be prepared and submitted in conjunction with the dealer. The deadline for submission of rebate applications is December 31, 1981.

EXEMPTION FOR CERTAIN BUILDING MATERIALS

Exemption

- . The 7 per cent retail sales tax will be withdrawn on purchases of certain building materials delivered between November 14, 1980 and June 30, 1981 inclusive.

Eligible Materials

- . plaster and lime
- . roofing materials (excluding nails and vents)
- . eavestroughing and downspouts
- . soffits, flashing and fascia
- . drainage tiles
- . lumber (excluding finished hardwood flooring)
- . doors (excluding vault doors)
- . frames for doors and windows
- . vinyl and wood trim
- . interior panelling (excluding metal panelling) and drywall
- . exterior siding (excluding precast concrete units)
- . clay brick
- . kitchen cabinets, sinks and counter tops
- . bathroom cabinets, vanities and counter tops
- . bathroom sinks, toilets, bathtubs, bidets, and shower stalls and enclosures
- . laundry sinks and tubs

EXEMPTION FOR CERTAIN MAJOR HOUSEHOLD APPLIANCES

Exemption

- . The 7 per cent retail sales tax will be withdrawn on certain new major household appliances delivered between November 14, 1980 and June 30, 1981 inclusive.

Eligible Appliances

- . New household appliances eligible for exemption from sales tax are electric or gas ranges, refrigerators, freezers, clothes washers and clothes dryers, provided that they are designed for residential use.

Ineligible Appliances

- . All household appliances not listed above, including:
 - dishwashers;
 - microwave and convection ovens;
 - used appliances;
 - appliances designed for commercial use; and,
 - appliances acquired by lease or rental.

EXEMPTION FOR RESIDENTIAL FURNITURE

Exemption

- . The 7 per cent retail sales tax will be withdrawn on new residential furniture delivered between November 14, 1980 and June 30, 1981 inclusive.

Eligible Furniture

- . New residential furniture eligible for exemption from sales tax is furniture of the type usually acquired to furnish a residential dwelling.
- . Examples of eligible items of furniture are:
 - beds
 - bed springs
 - bookcases
 - buffets
 - cabinets
 - chairs
 - chesterfields
 - chests
 - counters - free standing
 - desks
 - dressers
 - hutches
 - mattresses
 - sofas
 - stools
 - tables
- . Exemption does not apply to certain types or classes of household items, including:
 - gas, oil or electrical appliances or accessories, lamps, home entertainment units (e.g. televisions or radios) and fireplaces;
 - floor-coverings and carpets;
 - wall-coverings, draperies, curtains, blinds, and other similar goods and their accessories;
 - works of art, handcrafts, trinkets, mirrors, clocks and objects used for decoration, recreation or games;
 - musical instruments;
 - upholstering and furniture repairs;
 - used or leased furniture; and,
 - office furniture.

EXTENSION OF TEMPORARY SALES TAX EXEMPTIONS FOR THE
TOURISM INDUSTRY

The temporary exemptions from the 7 per cent retail sales tax on:

- . taxable accommodation (including hotels, motels, etc.);
- . American Plan accommodation;
- . furnishings purchased for use in hotels, motels, restaurants, etc.; and,
- . kitchen equipment purchased for use in restaurants

will be extended for a further 9 months, and will now expire on December 31, 1981.

To be eligible for the exemptions for furnishings and restaurant kitchen equipment, goods must be delivered on or before December 31, 1981.

All enquiries regarding retail sales tax changes should be directed to:

Retail Sales Tax Branch
Ministry of Revenue
Parliament Buildings
Queen's Park
Toronto, Ontario
M7A 1X9

or

the nearest Retail Sales Tax District Office. For telephone enquiries, in Toronto, call 487-7161.



